

## Chapter 6—Program Administration

### Management and Monitoring

You are responsible for the management and monitoring of the providers whom you sponsor. These responsibilities include:

- making pre-approval visits;
- enrolling and closing facilities;
- ensuring providers maintain a current license/registration and enrollment documents;
- conducting training;
- conducting monitor reviews;
- forwarding payments to facilities; and
- verifying participation.

Before you enroll a provider, you must make a **pre-approval visit** to the provider. During the visit, you must discuss program benefits and requirements and determine whether they can provide food service in accordance with CACFP requirements.

You will use a **PRE-APPROVAL VISIT FORM FOR FAMILY DAY CARE HOMES** to document pre-approval visits.

You must **notify the households** of all enrolled children that their provider participates in the CACFP. We have developed a **BUILDING FOR THE FUTURE** flyer for you to use to satisfy this requirement. The flyer presents the information in English and Spanish (other translations will be made available upon request.) and provides:

- a brief statement about the CACFP;
- notice of the facility's participation in the CACFP;
- the USDA and IDOE toll free telephone numbers for households with questions or concerns about the CACFP;
- the name and telephone number of the CACFP sponsor with administrative oversight of the child care facility.

You must retain documentation of your method of distribution. You must distribute the flyer annually by the beginning of each CACFP Program Year and must also provide the flyer to households who enroll children for child care during the CACFP Program Year.

You must ensure that each provider posts the non-discrimination poster in their child care facilities where it can be easily seen. Additionally, you must also post it in your administrative offices.

You must maintain proof of proper **enrollment** for all children who receive meals that are claimed for reimbursement. The following information must be included on an

enrollment form or in alternate documentation (required State Agency approval) if a child is to be considered properly enrolled:

- child's name;
- days and hours the child will be in child care;
- meals the child normally receives;
- parent's or guardian's signature; and
- date of signature.

Enrollment information must be updated annually.

You must have a written policy statement concerning the availability of program benefits. Institutions submit a policy statement with their initial application. The **POLICY STATEMENT FOR FAMILY DAY CARE HOMES** rarely has to be updated.

Each program year, you must send a public release to the media in the area or areas where you sponsor providers. We will supply a sample **MEDIA RELEASE**. The public release notifies the media of your intent to operate the CACFP and contains required nondiscrimination statements.

You are not required to pay for publication of the release, nor ensure that the media publish it. You have fulfilled your responsibility by mailing the release to the media. However, you must retain a copy of the public release with the dates and names of media to whom you submitted the release.

### **Enrolling and Closing Facilities**

Federal Regulations limit providers to one location when participating in the CACFP. Some providers have incorporated their day home operations. However, you must enter into an agreement with the primary caregiver at each location as an individual. Providers cannot participate in the CACFP as a corporation.

A license holder may have more than one home. If these license holders wish to participate in the CACFP, they must comply with these requirements:

- each home must be operated by a different primary caregiver;
- each primary caregiver must have an individual CACFP **SPONSOR/PROVIDER AGREEMENT** with a sponsor;
- the primary caregiver will be responsible for the annual training requirements; and
- the reimbursement will be payable to the name of the primary caregiver on the Sponsor/Provider Agreement.

The Sponsor/Provider Agreement is a permanent agreement. Changes will be made by adding amendments to the original agreement.

Sponsoring organizations will add providers on the CNPweb®. Click on the application tab. You will see 'Click [here](#) to Add a New Provider'. The system will automatically add a provider ID number and you will complete the application and submit it for State Agency approval. The start date is the date you signed on the home. The approval date is the date the home can begin to claim meals for reimbursement.

Sponsors are responsible for maintaining accurate information in the CNPweb® for each provider. This includes license information, meal times, and tiering certification. The CNPweb® can be updated at any time.

To inactivate a provider, you can enter a closure date and uncheck the month boxes in which the provider will not be operating on the CNPweb® application. Submit the application for State Agency approval.

Sponsoring organizations cannot recruit nor enter into a sponsorship agreement with providers who are currently participating in the CACFP. Providers may transfer from a sponsor and enter into an agreement with another sponsor. The **CHANGE OF SPONSOR FORM** must be sent to the State Agency prior to a change of sponsor for a family day care home provider. Incomplete forms will not be accepted. The normal time for change of sponsor is October 1. These should be received at the State Agency no later than September 15. Providers who wish to change sponsors at other times of the contract year must attach a letter requesting the change and giving the reasons for requesting the change. State Agency staff will review these special requests. We require signatures from the old and the new sponsoring organization, as well as the provider.

### **Training**

You must train your administrative staff on CACFP requirements before they assume CACFP duties and again during each program year thereafter. You must also train providers on CACFP requirements before the provider begins participating in the CACFP and again during each program year thereafter.

You must retain documentation of the CACFP training that you present to providers and staff. Your documentation must include:

- date of training;
- training topic(s);
- name(s) of participant(s); and
- name(s) of trainer(s).

Family day care providers shall receive 6 hours of *CACFP related* training and technical assistance each fiscal year. Technical assistance may occur during onsite monitoring visits. The State Agency has determined that the training must be provided in order to maintain the integrity of the Child and Adult Care Food Program. *Each provider that has a signed agreement with a sponsoring organization must receive annual training and is*

*considered the key staff for the sponsored family day care home.* Sponsoring organizations shall directly provide the training hours related to the CACFP.

CACFP training should include, but is not limited to, the following:

- Tiering
- Record keeping requirements (including annual agreement) and **claim Submission**
- Menu planning and food purchasing
- CACFP meal pattern requirements
- Food safety and sanitation
- Basic food preparation
- Nutrition education activities
- Children with special needs (allergies, physical disabilities, etc.)
- Civil Rights requirements
- Parent notification requirement
- State agency requirements
- Sponsor requirements and **reimbursement system**
- Infant meal pattern and record keeping requirements

Required documentation shall include signed attendance sheets, copies of handouts, amount of credit for the training session, and the training agenda in outline or script format. Training credit will be calculated on an hour for hour basis. Beside training meetings, sponsors may use on-line training, handbooks with questions and answers, newsletters (1 hour total for the year), or training provided by other organizations. Each organization shall determine on a case-by-case basis the amount of credit for training provided by outside organizations.

### **Monitor Reviews**

You must conduct monitoring reviews of each of your providers to determine compliance with recordkeeping, meal patterns, and other requirements.

You are required to review each of your providers:

- at least three times per fiscal year;
- once within the first four weeks of participation under your sponsorship; and
- at least once every six months.

You have six full months, after the month in which a provider's review is conducted, to conduct the next monitor review of the provider.

Example: You complete a monitor review of a provider on March 2. You must then conduct the next review on or before September 30. If you complete the review after September 30, you would not be in compliance with program requirements.

You must conduct three unannounced visits for each provider. You must observe a meal service at each required review. Only one review per year per provider should include observation of a snack (supplement) rather than a meal. If a provider participates on Saturday or Sunday, at least one review must be conducted on a Saturday or Sunday.

You must make an unannounced follow-up review of a provider within two weeks of any review at which you are unable to confirm the provider's program participation.

If you arrive at a provider's facility and the provider has already served the meal that you intended to observe or you are unable to conduct a review because the provider is absent, you cannot count the review as one of your required reviews. Additionally, you should make an unannounced follow-up review within two weeks of the review.

You will complete a **MONITOR REVIEW FORM** during each visit. Sponsors can make photo copies of the mandatory form, or you can purchase NCR copies of the form from the sponsor association. In either case, you must complete the entire form. All questions are considered critical. The form cannot be changed without State Agency approval.

If you determine during a monitoring review that a provider has not complied with program requirements, you must execute a corrective action plan to achieve compliance.

If you conduct two or more unannounced monitoring reviews of a provider in any 12-month period, and during those reviews you cannot confirm that children are enrolled for child care and are participating in the program, you must execute a corrective action plan. The purpose of this requirement is to ensure you are able to effectively monitor the provider's participation in the program and that the provider is in compliance with program requirements.

Corrective action plans must include the actions that you and the provider will take to achieve program compliance, and the date by which corrective action must be completed.

You must declare a provider seriously deficient if the provider knowingly claimed meals for a child who is not enrolled for child care or for a child who was not in attendance on a day that meals were claimed for the child, or refused to enter into or comply with a corrective action plan.

You must keep records of the locations, dates, times, and findings for each review. You are responsible for using the reviews as an opportunity for training the provider. If problems are identified during a monitor review, you must prescribe corrective action and conduct follow up reviews to ensure that the problems are corrected. We expect reviews of providers that are experiencing difficulty operating the program to exceed the minimum number and frequency.

**Nonprofit Food Service**

You must operate a nonprofit food service principally for the benefit of enrolled children. You must document the operation of that food service. Nonprofit food service status is determined through deducting allowable net expenses from the food service revenue.

Food service revenue includes:

- CACFP reimbursement;
- Income to the Program, which is income earned from activities supported by the food service; and
- all other funds used or restricted for use in the nonprofit food service, such as donations.

Funds in the nonprofit food service account are restricted and can be used only for allowable nonprofit food service costs. Excess funds found in the nonprofit food service account must be retained and used in the nonprofit food service. You can maintain a maximum of three-month's average expenses in this account. If you approach the maximum amount allowed in the nonprofit food service account, contact the State Agency for assistance.

Organizations must account for all costs of operating their nonprofit food service through the consistent use of generally accepted accounting principles. Organizations are responsible for accounting for costs accurately and for maintaining records to demonstrate that costs claimed have been paid, are allowable to the program, and comply with financial management requirements. In all cases, allowable costs require some level of prior approval. Levels of approval include:

- Generally Allowable Costs, i.e., costs that occur in the routine operation of the CACFP. These costs must be in the budget, or budget amendment, and approved in advance.
- Prior Approval, i.e., individually identified by item and amount in the budget, or budget amendment. Approval of budget, or amendment, meets the requirement for prior approval.
- Specific Prior Written Approval, i.e., costs specifically identified by item and amount in the budget, or budget amendment. We will approve or deny specific requests in writing by item and amount.

Unallowable costs may be necessary and reasonable for the operation of your organization but are not allowed as nonprofit food service costs, even when the majority of the organization's revenue is from the CACFP, e.g., cost to obtain or maintain Corporation Status is an unallowable cost. For budgeting purposes, the cost of an expense may be estimated, however, the nonprofit food service account and your supporting documentation must show only actual costs. In addition, costs must be necessary and reasonable to the operation of the nonprofit food service. A necessary cost must represent an activity or function that is generally recognized as ordinary, and necessary for the

operation of the nonprofit food service. A reasonable cost must not exceed what a prudent person would pay under the same circumstance.

Allowable costs can be either direct or indirect costs. Direct costs specifically benefit the organization's nonprofit food service. Indirect costs are incurred for a common purpose in the organization, but a portion cannot be easily assigned to the nonprofit food service. If your organization will be claiming Indirect costs the rate must be part of your cost allocation plan. A cost allocation plan is a written explanation of how costs are classified.

Allowable costs can be categorized as "operating costs" or "administrative costs."

**Operating costs** are the expenses incurred by an institution in preparing and serving meals to participants under the Program and allowed by the State Agency financial management system.

Depreciation is the expense associated with your use of space, facilities, and equipment. It is based on the cost and life expectancy of an item. A use allowance can only be applied to items that have been fully depreciated by the organization before being placed into use for the nonprofit food service. Any generally accepted method of computing depreciation might be used. All depreciation charged to the program must be documented through depreciation records indicating the amount of depreciation taken each period and when appropriate, prorated between program and non-program use.

Durable supplies have a life expectancy of one year or more. Expendable materials and supplies have a life expectancy of less than one year. You must keep receipts, invoices, and bills to document these purchases.

Purchased services are the costs of services required by the operation. You may claim the costs if they are allocated specifically to the Program operation. You must keep receipts, invoices, billings, and rental agreements to document these costs. The following types of purchased services may be claimed:

- rental of equipment or facilities;
- maintenance, repair, or upkeep of equipment if the repair does not add to the equipment's value or prolong its intended life;
- cost of utilities, security, and janitorial service if these costs are not included in rent, indirect costs, or other charges for space; and
- cost of renting space in privately owned buildings if the space is procured according to appropriate bid procedures.

An organization's cost for providing training to operating staff is an allowable nonprofit food service expense.

Administrative costs are limited to the organization's allowable expenses for planning, organizing, and managing the CACFP, for example, salaries, wages, and fringe benefits for staff that approve eligibility forms, provide training, and monitor facilities.

We must approve your administrative costs as part of your annual budget and whenever budget amendments are submitted.

**Administrative labor costs** include salaries and benefits for administrative personnel, e.g., secretaries and accountants. Each element of an individual's compensation must be reasonable for the services provided by the individual and conform to the institution's written compensation policy. The cost of labor identifies:

- salaries or hourly rates for administrative labor are reasonable when the rates that are charged are the same as the rates paid for similar work throughout the organization;
- the employer's share of federal, state, and local employment taxes such as Social Security, withholding tax, and State unemployment taxes. The employer's share of fringe benefit costs such as vacation leave, military leave, health benefits, life and disability insurance, paid non-work holidays, and retirement benefits;
- payment of overtime, holiday pay for work performed on a non-work holiday, and compensatory leave is allowed with specific prior written approval for each instance, except for cases of emergencies. You must contact the State Agency within two working days of any emergency situation;
- except for awards of nominal or minimal value, specific prior written approval is required for costs of an incentive payment or award given to an employee. Awards of minimal value include length of service pins, certificates of appreciation, floral arrangements, live plants, mugs, and plaques; and
- severance or dismissal pay is compensation paid to an employee whose employment is terminated. The cost of severance pay is allowed on a case-by-case basis, with specific prior written approval.

### **Documentation Requirements for Administrative Labor Costs**

1. An established and maintained written compensation policy for every element of compensation charged to the nonprofit food service. At a minimum, the written compensation policy must identify: (a) rates of pay; (b) hours of work, including breaks and meal periods; and (c) the organization's policy and payment schedule for regular compensation, overtime, compensatory time, holiday pay, benefits, awards, severance pay, and payroll tax withholding. The written compensation policy and approved budget must be in agreement for labor costs to be allowable.
2. Time and attendance reports for all labor costs. These reports must identify the total time actually worked by the employee and not just the time spent on nonprofit food service activities. At a minimum, these reports must include: (a) start time; (b) end time; and (c) absences.
3. Time distribution reports. To establish the portion of costs that may be claimed as administrative labor, a daily log or time distribution method must be used. Time distribution reports must be:
  - a. completed by all employees and account for the total activity for which each employee is compensated (this includes employees who spend 100 percent of time on nonprofit food service activities);



- b. prorated by the amount of time spent on nonprofit food service activities;
- c. completed for each employee separately;
- d. an after-the-fact determination of the actual activity of each employee; and
- e. in intervals no less than every 60 minutes.

In addition, the report for proprietary and nonprofit organizations must be compiled at least monthly and coincide with one or more pay periods. All employees must complete time distribution reports. Budget estimates and time studies of any kind are not acceptable documentation.

4. In all cases, time and attendance and time distribution reports must be completed by the employee and signed and certified as true and correct by the employee and a responsible supervisor.
5. Payroll records. At a minimum, a record for each employee containing:
  - a. employee name;
  - b. employee identification number;
  - c. rate of pay;
  - d. hours worked;
  - e. benefits earned;
  - f. any reductions or increases to the employee's base compensation, e.g., overtime pay, incentive award, etc.;
  - g. gross pay;
  - h. net pay;
  - i. date of payment to employee;
  - j. method of payment, i.e., check, cash, EFT; and
  - k. verification that the employee has been paid, i.e., canceled checks or EFT deposit verification. For cash payments, an original signature certifying receipt of payment is required.

Additional **administrative costs** may include the cost of establishing and maintaining accounting and other information systems required for management of the nonprofit food service. You may not claim the cost of maintaining central accounting records to meet all of your organization's requirements.

You may include the organization's costs for administrative appeals pursuant to the CACFP regulations.

Advertising media include newspapers, magazines, radio and television, direct mail, World Wide Web pages, and trade papers. You may claim the cost of advertising media to solicit bids for the procurement of program goods and services, recruitment of personnel for the nonprofit food service, and disposal of scrap or surplus materials acquired in the performance of the nonprofit food service.

You may include the cost of premiums on bonds for employees who handle program funds and for pre-agreement and post-agreement costs of bonding imposed by regulation.

Communications includes the costs of supplies and services such as telephone, telegrams, fax, license fees for electronic mail software, Internet services, postage, and messenger services. Costs for communication supplies and services must be prorated accordingly.

Sponsoring Organizations may use administrative program funds to defray some licensing-related expenses for unlicensed or unregistered, low-income providers. You may use up to a total of \$300 per provider in any combination of expansion, start-up, or regular administrative funds with the following limitations:

- regular administrative funds may be used to assist unlicensed/unregistered income-eligible providers, regardless of their location;
- start-up funds may be used to assist unlicensed/unregistered income-eligible providers regardless of their location; and
- expansion funds may be used only to assist unlicensed/unregistered income-eligible providers located in low-income or rural areas.

Note: CACFP funds for assisting a provider in becoming licensed are available to each provider only once. Use of CACFP program funds to assist a provider who is already licensed/registered to provide child care or to pay for a provider's yearly renewal fees is an unallowable use of funds.

Sponsors may use CACFP funds to correct deficiencies that are impeding the approval of the provider's license/registration, as documented from the official licensing source. You may not use CACFP funds for general remodeling or renovation of a provider's facility.

To be classified as equipment, an item must cost at least \$5,000 per unit and have a useful life of at least one year. Instead of using depreciation, an organization, with specific prior written approval, can charge the nonprofit food program for certain types of equipment at the time the items are purchased. You must keep invoices, bills of sale, purchase orders, leases, contracts, and procurement documents to meet documentation requirements.

Space and facilities costs may be charged through rental/lease fees or depreciation. Whether in privately or publicly owned buildings, the total cost for space and facilities cannot exceed the rental costs of comparable space and facilities for privately owned buildings in the same locality. When a private residence owned by the organization or a related party is used for the nonprofit food service, the costs claimed must meet all IRS requirements for business use of a home and must be supported by the records used to meet IRS requirements for documenting the business use of the home.

Financial expenses that must be incurred in the normal cost of administering the nonprofit food service are allowable costs. Allowable financial costs include:

- purchase price of checks;
- fees charged by financial institutions for stop payment of checks;
- fees for use of ATM machines; and

- monthly service fees for maintaining a bank account.

Financial costs that are unallowable include:

- interest charged on loans;
- credit card balances;
- insufficient funds/returned check charges assessed by financial institutions and retailers; and
- late payment fees.

You may include insurance costs that are required for the administration of the nonprofit food service.

You may include legal expenses required for the administration of the nonprofit food service. However, you may not claim the cost of maintaining a legal staff with general responsibilities.

Materials and supplies include durable supplies and expendable materials and supplies. Durable Supplies have a life expectancy of one year or more and include desks, chairs, and computers. Durable supplies are charged to the nonprofit food service account at the time of purchase. Expendable materials and supplies have a life expectancy of less than one year and include copy paper, pens, and pencils. Expendable materials and supplies are charged to the nonprofit food service as they are used each month.

Meetings and conferences include federal, state, county, national, or regional child care conferences. Meetings and conference costs are not the same as training costs. Allowable costs include:

- with prior approval, the travel and registration fees for attending meetings and conferences devoted solely to the CACFP, and
- with specific prior written approval, the prorated share of travel and registration fees when the CACFP is only a portion of a larger child care related agenda.

Membership costs in civic, business, technical and professional organizations and subscriptions to professional and technical periodicals are included in this category. Allowable costs include:

- membership fees and annual dues for the organization's membership in business, technical, and professional organizations related to the program;
- membership fees and annual dues for one individual membership per organization in business, technical, and professional organizations related to the nonprofit food service when the organization will only accept individual and not organizational memberships; and
- costs for the organization's subscription to periodicals related to the nonprofit food service.

If you or one of your employees uses his own or your vehicle to conduct administrative business, the reasonable cost is an allowable administrative cost.

You may charge parking separately. You must document mileage expenses to include records of:

- the date of each trip;
- the driver's name;
- the mileage;
- the origin and destination of each trip;
- parking costs; and
- the reason for each trip.

You may develop your own travel form containing these elements.

Procurement service costs include the cost of soliciting bids, preparing and awarding contracts, and all phases of your contract administrative system related to the nonprofit food service.

Publication, printing, and reproduction includes the costs for in-house and outside publication, printing, and reproduction costs. All allowable costs are limited to the direct costs for publication, printing, and reproduction of materials related solely to the nonprofit food service, or the prorated share when necessary.

With prior approval, funds can be used to cover public relation costs for pamphlets, news releases, and other information services to inform individuals, groups, or the general public about the CACFP, or to increase an organization's CACFP participation.

Costs of utilities, purchased security and janitorial service, etc., not already included in space costs or labor compensation costs are allowable.

Costs for supplies, storage, and maintenance of records necessary for the administration of the nonprofit food service are allowed.

Costs in this category include lease costs for space, facilities, vehicles, and equipment for use in the nonprofit food service. Rental fees must be prorated when necessary. Written rental agreements must be properly procured from a third party.

Taxes or payments in lieu of taxes that the organization is legally required to pay as a result of operating the nonprofit food service are allowable. Unallowable costs include personal income taxes, corporate income taxes, and taxes resulting from non-program operations.

An organization's cost for providing training to administrative staff is an allowable nonprofit food service cost.

With prior approval, the following administrative costs are allowed:

- rental costs of properly procured meeting and conference room space;
- fees for speakers who are not employees, officers, directors or trustees, or immediate family members; and
- costs for meals and nonalcoholic beverages served to *participants*, but not guests, when nonprofit food service training is presented concurrent with the meal service.

Travel costs are expenses for transportation, lodging, subsistence, and related costs for employees, officers, directors, or trustees performing nonprofit food service work. Costs for nonprofit food service travel may be charged on an actual per diem or mileage basis provided that the method used results in charges consistent with those normally allowed by the organization in its non-program operations. IDOE will not approve mileage rates that exceed the IRS mileage and travel rates.

**Unallowable costs** include:

- administrative costs not approved by IDOE;
- advertising costs related to recruitment of facilities;
- bad debts;
- compensating any individual, provider, employee, or contractor based on the number of homes recruited. This includes cash and non-cash compensation;
- compensating any individual, provider, employee, or contractor based on increased program participation, as measured by meals, children, or providers;
- contingencies;
- contributions and donations;
- costs of recruiting providers prior to June 1 when the provider is currently participating in the CACFP;
- entertainment;
- fines and penalties;
- fund raising;
- interest and other financial costs, such as insufficient funds/returned check charges and late payment fees;
- legislative expense;
- political or partisan costs; or
- under-recovery of costs under grant agreements (These are costs exceeding income in other federal programs, including all grant agreements regardless of funding source or program year. Also included are disallowed costs in the CACFP in the current or prior program years.).

**Program income** includes, but is not limited, to funds used in the operation of the CACFP from:

- money from other government sources;
- cash donations;
- grants from organizations or individuals; and
- all interest earned on reimbursements.

Income to the program may not be used to pay costs that are not considered allowable in the CACFP. Income to the program may not be used to pay for such things as:

- incentives and bonuses provided to providers to participate in the program; and
- training related to, but not required for program participation, such as training to maintain licensing/registration requirements.

The receipt of all funds related to the CACFP, including grants, donations, and loans, regardless of their source, must be documented in writing. All loans must satisfy Special Nutrition Programs financial management system requirements including, but not limited, to the following criteria:

- A written agreement specifying the terms and conditions of the loan, including a repayment schedule, must be signed by both parties.
- Loans may not be entered into retroactively.
- Interest accrued on the loan is not an allowable program cost.

Donations, such as building use, services, and labor are not considered program income. However, you must report these at zero value on your application to show how you will manage your program on the CACFP reimbursement.

We are able to observe your daily operation of the program only in the course of administrative reviews and audits. Therefore, we must rely on the records you keep to determine your compliance with program standards and the amount of reimbursement to which you are entitled.

If your records do not support your eligibility or the eligibility of your providers or your claims for reimbursement, you will be required to repay any amounts you were paid improperly.